

Government of India
Ministry of Finance
Department of Revenue

LOK SABHA
UNSTARRED QUESTION NO. 824
TO BE ANSWERED ON FRIDAY, DECEMBER 14, 2018
AGRAHAYANA 23, 1940 (SAKA)

ECONOMIC OFFENCES

824 : SHRI CHANDRA PRAKASH JOSHI:
SHRIMATI SANTOSH AHLAWAT:
SHRI SUMEDHANAND SARSWATI:
SHRI RAJESH KUMAR DIWAKER:

Will the Minister of FINANCE be pleased to state :

- (a) whether the Government has issued any guidelines to the investigating agencies in the country to share the information regarding the cases of economic offence with banks to keep a check on such offences;
- (b) if so, the details thereof;
- (c) whether the Government is proposing to blacklist an individual or group against whom allegation of economic offence has been levelled and investigation is under process;
- (d) if so, the details thereof; and
- (e) if not, the reasons therefor?

ANSWER
MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)

(a) and (b) : As per "Framework for timely detection, reporting, investigation etc. relating to large value bank frauds" by Department of Financial Services, Ministry of Finance, Public Sector Banks (PSBs) have been instructed to seek report from the Central Economic Intelligence Bureau (CEIB) on any prospective borrower at (i) pre-sanction stage, (ii) renewal of existing loan and (iii) NPA account for an amount of Rs 50 crore and above.

On PSB's request, reports are provided by the CEIB on credentials of entities as referred by banks. In the reports, economic offence details as reported by the law enforcement agencies to the CEIB with respect to such entities are incorporated. Details like Non-Performing Assets account with other banks / connected entities and loan taken from other banks / financial institutions are also incorporated in the reports. During the current financial year, so far 1605 such reports have been provided to banks wherein economic offence details, if any, were incorporated.

CEIB has requested Central Board of Indirect Taxes and Customs (CBIC) to instruct its field formations to make references to concerned Banks/Financial Institutions in case of irregularities of high magnitude are detected by them.

CEIB has also requested Central Board of Direct Taxes (CBDT) to issue guidelines to its field formations and investigation / Intelligence & Criminal Intelligence Directorates to share the information in respect of cases including financial irregularities involving bank frauds to CEIB so that the regulatory authorities and banks may carry out the task of identification of fraud as well as recovery of siphoned off funds more efficiently. CBDT shares the relevant information of economic offences with various agencies as per the provisions of Section 138 of the Income Tax and extant guidelines are issued from time to time.

With a view to streamline and strengthen the information sharing mechanism, a new Standard Operating Procedure (SOP) on sharing of information between various law enforcement agencies has been agreed to under the aegis 'Task Force on Shell Companies under the Joint Chairmanship of Revenue Secretary and Secretary, Ministry of Corporate Affairs, constituted in February, 2017.

Mechanism for sharing of information between various law enforcement agencies is already in place under the Regional Economic Intelligence Council (REIC) and Central Economic Intelligence Bureau. Registrar of Companies of the region are the participants in the REIC meeting under the Ministry of Finance and information regarding companies data base and actions taken regarding violation of companies Act, are shared with members of REIC. Similarly, information are shared in State Level Coordination Committee meeting convened by RBI. Information is also shared with Securities and Exchange Board of India (SEBI) for listed companies similarly with concerned regulators whenever required.

Further, Ministry of Corporate Affairs administers the Companies Act and Limited Liability Partnership Act. Based on complaints of Suo-moto inquiry is conducted under the provisions of the Companies Act, and if required, inspection and investigation are also ordered against companies. Based on the findings, prosecutions are filed under various provisions of the Companies Act. In case of financial irregularities matter is referred to Economic Offence Wing.

(c), (d) and (e) : There is no proposal under consideration in the Department of Revenue to blacklist an individual or group against whom allegation of economic offence has been levelled and investigation is under process.